

Message Text

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ACTION EA-09

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TAGS: : EPAP, ELAB, EALR, PINS, RP

SUBJECT: DEPRESSION IN SUGARLAND

BEGIN SUMMARY: WITH THE ANNOUNCEMENT OF A BUYING PRICE FOR PHILIPPINE SUGAR WELL BELOW THE CROP LOAN ISSUED (AND SPENT) LAST YEAR, THE SUGAR INDUSTRY IN NEGROS OCCIDENTAL FACES A MAJOR CRISIS. THE FITTEST WILL SURVIVE, BUT CONSIDERABLE ECONOMIC DISLOCATION WILL OCCUR. ALTHOUGH HAND-WRINGING IS RAMPANT, THERE ARE NO SIGNS OF SERIOUS POLITICAL DISCONTENT. END SUMMARY.

1. CONSUL VISITED BACOLOD DECEMBER 7-9 TO LOOK INTO LOCAL EFFECTS OF CURRENT LOW WORLD SUGAR PRICES. BACOLOD IS CAPITAL OF NEGROS OCCIDENTAL PROVINCE, WHICH PRODUCES 2/3 OF PHILIPPINE SUGAR AND IS TOTALLY DEPENDENT ON SUGAR ITSELF. NEGOS IS LONG ON TALES OF IMPENDING DOOM AND ALREADY SHORT ON CASE. BUT FARMERS AND MILSS ARE COMMITTED TO HARVEST AND PROCESS THIS YEAR'S CROP. GOVERNMENT-OWNED PHILIPPINE NATIONAL BANK (PNB) CONTINUES TO REDEEM SUGAR RECEIPTS, ALTHOUGH AT THE EXTREMELY LOW PRICE OF PESOS

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79.50/PICUL (US 7.8 CENTS/LB), AND IS APPARENTLY WILL NOT FORECLOSE ON OVERSUDE CROP LOANS MADE LAST YEAR AT PESOS 90/PICUL.

2. THE REAL CRUNCH IS EXPECTED DURING THE APRIL-SEPTEMBER SLACK SEASON, WHEN SUGAR WORKERS NORMALLY LIVE OFF THEIR

SAVINGS OR OBTAIN ADVANCES FROM PATERNALISTIC EMPLOYERS. FEW SOLUTIONS HAVE BEEN OFFERED AS YET, AND LOCAL OFFICIALS ARE BRACING FOR A RASH OF POVERTY-INDUCED CRIME THIS SUMMER. EVEN UNION LEADERS ADMIT THAT EMPLOYERS ARE VICTIMS OF THE LOW WORLD PRICE AND CANNOT BE EXPECTED TO HELP THE WORKERS MUCH. GOVERNOR ALFREDO MONTELIBANO, JR., HIMSELF A MAJOR PLANTER, HAS PROPOSED THAT EMPLOYERS CUT WORKWEEKS TO THREE OR FOUR DAYS, ENOUGH TO PERMIT WORKERS TO BUY RICE FOR THEIR FAMILIES, AND THEN ALLOCATE IDLE LAND FOR WORKERS' BACKYARD GARDENS TO SUPPLEMENT THEIR DIET. SOME MILLS ARE OFFERING ATTRACTIVE EARLY RETIREMENT PLANS, AND SOME PLANTERS ARE OFFERING UP TO 1000 PESOS TO NEWLY-HIRED WORKERS TO LEAVE THE HACIENDA. LABOR DEPARTMENT PERMISSION IS REQUIRED BEFORE PERMANENT WORKERS CAN BE FIRED.

3. PLANTERS BLAME THEIR CURRENT DIFFICULTIES ON THE TAKEOVER OF SUGAR MARKETING BY PHILIPPINE EXCHANGE, A PNB SUBSIDIARY, DURING THE SALAD DAYS OF 1973-74. AT THAT TIME THE WORLD PRICE WAS 65 CENTS/LB AND PLANTERS RECEIVED ONLY 15 CENTS/LB FROM PHILEX. IF THEY HAD BEEN PAID ONLY HALF THE WORLD PRICE THEN, THEY WAIL, THEY COULD WEATHER THE CURRENT CRISIS. THEY ALSO NOTE THE HUGE STOCKS OF LAST YEAR'S SUGAR STILL HELD BY PHILEX, AND THEY PINE FOR A RETURN TO PRIVATE BUYERS. BUT THERE IS NO EVIDENCE OF A DESIRE TO GO TO THE BARRICADES. "WE'RE NOT HEROES," ONE PLANTER SAID.

4. THEIR YEAR'S VOLUME MAY NOT BE QUITE AS GREAT AS LAST YEAR'S. SOME MILLERS ESTIMATE A 7-10 PERCENT DECREASE IN LIMITED OFFICIAL USE
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CROP YIELD BECAUSE OF LOW FERTILIZER APPLICATION OR BECAUSE EARLY CANE WAS LEFT TOO LONG IN THE FIELDS FOR LACK OF A FINAL PHILEX PRICE UNTIL NOVEMBER 30. PLANTERS INSIST THE CROP IS GOOD BUT WARN THAT PERHAPS 10 PERCENT IS BEING LEFT UNTENDED AND UNHARVESTED FOR LACK OF MONEY. FEW EFFICIENT PLANTERS WILL GO UNDER, ALTHOUGH MOST WILL CUT BACK ON PLANTING FOR NEXT NEXT YEAR. HARDEST HIT WILL BE SMALL, INEFFICIENT PLANTERS, MOST OF WHOM OCCUPY MARGINAL LAND FAR FROM MILLS AND MANY OF WHOM TOOK UP SUGAR ONLY RECENTLY. GOVERNOR MONTELIBANO PREDICTS A 15 PERCENT AREA CUTBACK, WITH A 7-10 PERCENT YIELD REDUCTION; POOR-MOUTHING PLANTERS PREDICT A MUCH GREATER DECREASE. LIKEWISE, SOME INEFFICIENT SUGAR MILLS MAY NOT SURVIVE THE LOW PRICE AND THE EXPECTED YIELD REDUCTIONS.

5. DESPITE THE PLANTERS' WELL-EARNED REPUTATION FOR LAVISH LIVING ON CREDIT, BUSINESS IN BACOLOD IS TAKING A BEATING AS EVERYONE TRIES TO ECONOMIZE. MANY STORES ARE ADVERTISING CLOSE-OUT SALES EVEN DURING THE CHRISTMAS SEASON. CEBU-

BASED DISTRIBUTORS COMPLAIN THAT COLLECTIONS IN NEGROS ARE DIFFICULT NOWADAYS SINCE NO ONE IS PAYING HIS BILLS. FARM IMPLEMENT DEALERS PARTICULARLY ARE FACING PROBLEMS. NEGROS NAVIGATION CO., WHICH SUPPLIES THE ISLAND FROM OUTSIDE, REPORTEDLY IS CARRYING 30 PERCENT LESS CARGO THAN LAST YEAR.

6. PROVINCIAL PLANNERS AND SUGARMEN ALIKE SEE DIVERSIFICATION AS THE ONLY LONG-RANGE SOLUTION TO NEGROS' ONE-CROP WOES. BUT DIVERSIFICATION WILL REQUIRE TIME AND CAPITAL, BOTH OF WHICH ARE LACKING NOW. STILL, AS THE GOVERNOR AND OTHERS ARE TELLING OUTSIDERS, "WE SURVIVED WORLD WAR II, WHEN NOBODY WAS BUYING AND SUGAR; WE CAN SURVIVE THIS."
ELLISON

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